

Episode: 164

John Lenker and Assaf Arie



THE
**MOBILE
WORKFORCE**
PODCAST

Mike Merrill:

Well, welcome back again, John and Asaf. We had such a great conversation last week. We just had to have you back on to talk in more detail about some of the things that you help contractors do.

John Lenker:

Thanks for having us back and please forgive me, I've got the same outfit on as last week.

Mike Merrill:

You know, times are tight. Welcome back, Asaf, as well. Appreciate the vision that you shared last week, and excited for more today.

Assaf Arie:

Pleasure being here, Mike.

Mike Merrill:

All right. Well, we ended last week's conversation talking about really some of the key things that contractors need to do to not only scale, but also to run their business efficiently, some of the different phases that contractors go through. So let's assume that our listeners are in a pretty good place. They're where they want to be generally and feeling comfy. But what's the thing that they could do to take them to that next level? What can they do to double down on the goodness that they've already built?

Assaf Arie:

But what's the thing that they can do to take this stuff? What can they do to cover the issues that they're dealing with as well? We love this job, it's really tough. I have to answer this right away before I can give it to John. Do not feel comfy. Kodak felt comfy. Where are they today? You do not feel comfy in business. Never, never, never feel comfy. If you feel comfortable, you're

going backwards. I just had to throw it out there. Now I'm gonna let John take a shot at it and leverage the opportunity that's still in front of us.

John Lenker:

I like it. It actually ties into where I was going to go, which again, I never know what I'm going to say. I've never said anything like this before. But I think that the Mobile Workforce Podcast, you think about the people on the team and how to get everybody working in the same direction with the same vision. And it's a little bit like joining a church or something. Or, you know, one thing, the thing that tied in with the SOP is, you know, I don't think you should ever join a church because you want to go there to be comfortable, right? You want to be made uncomfortable to a certain degree in the sense that joining a football team and getting maybe hired to play or recruited to play, you're not joining to feel comfortable. You're joining because you're going to go and work hard. You're going to plug in a way that makes sense for that team and you're going to follow a system. And in the same sense of joining a church or joining a team, you know, there's a doctrine in a church, right? In the same way in a company, there needs to almost be like a doctrine. What do we all believe in? What are the principles? You know, what's the theology of how to run a business, right? What are the things that if I don't address, if I don't create some kind of unifying vision, everybody who joins will just kind of be following their own thing. It'll be a bunch of individuals working in the same area around the same project, but they're not working as a team. And so one of the fundamental ideas that we like to present, and this has a lot to do with branding, is when we go through a brand building exercise with our clients, a lot of it is really about how do you shape your identity? A lot of times people think, well, the brand, the logo, the tagline, it's just a bunch of stuff we say about ourselves to get people to buy stuff from us. It doesn't have to be real. It just has to be good at convincing them to want to hire us. And we think that kind of thing is really a thing of the past. It doesn't work in

this age of accountability where everything you do is online. It never was a good idea values-wise, but now especially, you really have to have your act together and you have to think through what it is you're doing. And when you're creating your brand, you're really establishing those principles and those doctrines. Those pieces of structure that come into the group that create a framework within which everybody's operating. And ideally that people are believing in something that excites them, that makes them feel like they're special and they're different from the competition. We're the ones who don't hide mistakes. We're the ones that are always trying to make things right no matter what. Whatever those principles are, but they need to be thought through and that that's the core of a brand. And those ideas, those principles, those methods, those tools, all of those things need to be thought through and organized. And at each stage of development, as you grow and get bigger and the number of people that have joined you is growing and things become more complex. And specifically, as you get further and further away from doing the actual work, right? And more and more is delegated. The business, if it's not built on a foundation of these systems and these principles and these ideas, it will start to fray, it will start to fall apart. The things that made people excited to hire you early on, those things aren't being followed through on anymore, and people don't even know why they wanna do business with you anymore, right? So in a nutshell, thinking through these principles that unify us as a team, that give us a core identity, and give us ample honest ammunition to talk about what sets us apart in the marketplace. Those things must be pursued and they must be pursued from the beginning.

Mike Merrill:

Yeah, you said some really important things there that really address the heart of some of the things that I've heard from companies, especially the last few years. Well, the market's been just growing gangbusters, people, you know, two, three years out, so much backlog, they can't ever get to anything new. And even with our solution or other systems, I've heard literally hundreds and hundreds of companies, mainly business owners, executives, managers say, honestly, things are going so well right now. We just don't want to rock the boat. So what would you tell somebody that was saying

that a couple of years ago? Maybe they're not saying that today, but what would you tell them?

John Lenker:

You can't control change. Change is gonna happen. And the minute that you are trying to hold on to things staying the same, means that you've put your feet in concrete on the ground and you're holding on to a vehicle that's moving. Eventually it's gonna break you. You're either gonna have to let go or it's gonna break something, right? You can't, you have to keep moving. You have to keep reinventing. You have to keep doing analysis of the market and you have to keep...adjusting. You know, and these are things that really Asaf has taught me the most. It's one of the reasons he's the CEO of Linker and not me.

Assaf Arie:

I'll take a financial stab at it from a different direction. If someone is booked up a year in advance, they left so much profits on the table. It's unbelievable amount of profits they left on the table. They committed themselves a year in advance and looking backwards also inflationary period, right? But they committed themselves in prices from last year to do work this year. And the fact that they booked so far out, that means they probably should have brought their prices up a little bit. And it comes from being too comfortable, it's too connected. Oh, I'm closing everything I'm getting, this is amazing. No, it's not amazing. There's a reason why you wanna shoot for a certain closing ratio. You don't want to go too much higher than that. You don't want to go too much lower than that. Your closing ratios is a derivative of that will tell you your quality of your estimating, your customer service, your pricing, right? So if you're closing everything, take a look, reflect, take a look and see which one of those you can move or you need to move. In this case, if you're closing a lot, I wouldn't worry about your customer service and follow-up practices. Your estimate is probably okay, but your pricing is too low right bring the pricing up You still close some but you close less because if someone want to do their project and They're looking to do it a year out or pay a little bit more and do it next month They'll pay a little bit more into it next month, especially when the government printing money like crazy Right, and it's your COVID

pay paying for that they will spend the money now. So that's a result of not being connected. That's a result of being too comfortable. Like I said, the first thing I jumped before anyone answered is do not get too comfortable, stay connected, understand where you're at and adjust as you need and reflect, reflect. Reflect when you had a bad experience and reflect twice when you had a good experience because you don't wanna confuse being lucky with being really good in what you do, right? Because in the last few, for a period of time, not in the last year and a half probably, but for a few years, construction companies were booked out like crazy. The consumer, they control the market. They could have been very average and pretend to be masked to be a great company. But when the tide goes away, what did Warren Buffett said? You see those that are floating or not, right? Warren Buffett said something about it. Don't be the dead fish floating when the tide goes away. That will happen. It's easy to be successful when everybody wants to buy the product you're selling. When the market will change, competition will come in, or demand will slow down, not everyone will survive. And that's where you don't want to get too comfortable. Stay connected, reflect, and avoid that.

Mike Merrill:

Yeah, and I think one thing too, and I think you'll both agree with me on this, but, uh, let your competitors lose money on that job. You know, take them out of play for the next good job. While you raise your prices and make a little more, let them eat that little margin and keep them busy and tied up while you're winning.

Assaf Arie:

100%.

John Lenker:

Well, you know, there's a ditch on each side of the road, right? Because again, you know, most of us, especially if we're selling to other businesses, you know, for selling to general contractors, whether residential or commercial versus direct to consumer, a lot of times you got to think about the customer lifetime value, right? The value of that relationship over years and years and years. And if you're working hard to build good relationships with the people that are buying

from you, really what you're committed to is something more like a partnership. It's not so transactional, did I make money in this job or not? It's more like we're both helping each other succeed and we both wanna win. I wanna make sure you win, you wanna make sure that I win because if one of us loses in the deal, ultimately one for the other person isn't gonna be around. to be that great vendor that delivers on time and makes it easy and all that kind of stuff that we talked about before. So, you know, there are times where, you know, you kind of bend a little bit to help your client get through something, especially if you're dealing with somebody like a project manager who's in a tight spot and maybe you don't wanna get some out, but you know what, that builds loyalty. You know, that makes it so that, you know, they're not always just buying on the lowest bid, but they also wanna take care of you as well. They wanna make sure that you survive, that you thrive, and that you are there for them over the long haul. So, I guess that's, let's just call that a principle. Let's not be so transactional with our deals that we're not recognizing the bigger value that comes when we build partnerships, right? And even if you're doing residential work and it's just one job, there's some jobs that, yeah, there's gonna be this addition and that renovation and, you know, they might as well buy the new roof from you. You know, that might happen. There's other things like in the concrete industry where maybe they're gonna buy a driveway and then that's it for a long time. You're not gonna put in a pool deck or a new sidewalk or whatever. So why does it matter, you think? Well, think about it like a partnership with their personal network. Instead of thinking of them as a individual resident, think of them as a company. They're a company of people, a church, right? People that talk to one another and refer one to one another. And that what really you're doing is you're building a relationship with that network and you're building a good relationship in that network as if it was a business that was gonna do repeat business with you. So thinking through the dynamics of that and the physics of that, and really the financial side of that is so important. This is something that Asaf really spends a lot of time with our clients building is the fact that you'd think that a professional person out there doing business They really understand the numbers. They're experts at how to be profitable and they understand what capital is and what equity is and how they should pay themselves and how much they should pay and when they should pay and when to

bring in partners and when to bring in investors and all these things. But no, most people are clueless about it and they're most likely to make a bunch of really bad decisions about forming relationships and partners and getting investors or whatever, borrowing. And this is something that I'd like to hear Assaf talk a little bit about because it gets to the real practical side of like, how do you engineer a success path for growth for your business versus driving it off a cliff into failure?

Assaf Arie:

Well, I visited a business yesterday and had discussion with their production team and they had a hard time understanding what revenue they're producing a day. And I emphasize that if you don't know much revenue you're producing a day, you don't know if you're even profitable. Right. And there's some job casting issues and, you know, we put together a little plan, but John is smirking at me. We put together a little plan, but it's important to know. It's important to know every aspect of your financials in the business, right? And it's with business owners, especially in trades, especially smaller business, they tend to lie to themselves and we'll figure it out, we'll be okay. Well, no and no. I mean, yes, for the first one, you could figure it out, but not if you don't change how you do things. Because if you didn't figure out today, you're not gonna figure out tomorrow unless you change something. But you really need to dive in, know your numbers, know your minimum production per day, your breakeven points, what are you gonna get to be profitable, how profitable is healthy for your business, how much are you financing your customers versus your vendors financing you, those balances. So there's a lot to dive into for that success. It's boring. I'm an accountant, so I get excited about it. But most business owners tend to do this, cover their eyes and...

Mike Merrill:

Ha ha.

Assaf Arie:

Say it will be fine, I'm just gonna go. And when you're in the trade and construction, whether you do residential work, commercial work, there's money coming in all the time.

Mike Merrill:

It's always worked before, it's always worked before.

Assaf Arie:

Yep, no, it's important to slow down, know your numbers, know your productions, make sure you're profitable in everything you do. Because a good construction company that maintain profit on a job level, should maintain profit on a company level, and it should be very healthy. And, and, you know, in construction, you can build a five to \$10 million business and clear seven to \$1.2 million a year in profit. And, you know, that's, that's great profit and, and it comes in fairly quick, um, and secured without taking too much risk if you build it correctly. Um, But if you don't know your numbers and you're not assuring profitability early on, and if you're not profitable, if you don't understand why you're not profitable, again, estimating production, change orders, so project management, what is it that made you not be profitable, then you're not gonna, you're guaranteed not to succeed because you were maybe lucky now or maybe getting by with cashflow and deposits, but at some point it will catch to you because...Those businesses always go like this. It's gonna be a little, so the first setback will take them out of business. Because here, there's gonna be money coming in. The first setback will take them out of business.

Mike Merrill:

You can only ride the market wave so long before that tide goes back out and now you're left landlocked or out of your depth.

Assaf Arie:

100%.

Mike Merrill:

Yeah, I gotta say, you guys are good. You know what you're talking about. I'm impressed with the things that you're sharing, the examples that you're sharing, because I've worked in this industry from both sides for a long time as well. So I've worked with many, many thousands of businesses, and you guys are spitting some fire right now, some things that would be super helpful for people to heed and listen to.

John Lenker:

Yeah, I mean, the fact is, I mean, there are there are things that we have learned over time that apply to different stages of growth. And, you know, we exist as sort of a management consulting firm, a boutique management consulting firm. We specialize one of our verticals is the construction industry. We really have a lot of information that can be super valuable to businesses at each stage of growth. And we would love to hear from some of your audience members if they're wanting to jump on a call. And we always give at least a free 30 minute consultation just to kind of hear them out and learn a little bit about what their goals are. But there's a lot of safety and counselors that have experience. And it's really something that you can benefit from if you're in a position to leverage that.

Mike Merrill:

Yeah, well, Tiger Woods has a swing coach. Michael Jordan has a shooting coach, the best in the world at their craft. They all need coaches and, and sometimes multiple coaches for different parts of things. And I know as a former contractor that didn't have a coach and should have had coaches or should have had other experts advising versus me just flying by the seat of my pants, like a lot of contractors do, you know, you build it up, you work hard blue collar, you grit through it, you find some success, you save your pennies and you work hard and diligently and eventually you can build yourself a pretty good life and make some money. But like you mentioned, one bad storm can take the whole thing down if you're not set up right.

John Lenker:

Absolutely, and it can happen to anybody. So, you know, we really, at the core of our values, is we wanna see small businesses grow. We think small businesses are the fiber and the backbone of this country here in the United States. And that's really what we're setting out to achieve is help businesses grow.

Mike Merrill:

Well, I appreciate you coming on, I guess, just as another closing thought, um, you know, what are some examples without getting anything too specific,

but what are just some case studies that you've seen, you know, one company or another achieve by implementing some of these principles that you guys share with them and teach them.

John Lenker:

Well, we probably don't have enough time to go into detail, but I will say that we've helped a range of businesses at different sizes to grow. And I believe it's a true statement that we haven't had a client in the trades that has hired us as consultants that hasn't grown pretty exponentially, doubled and tripled. So we would love to, because it's really about making smart business decisions. We'd love to talk to anybody about those things and hopefully maybe if there's room for another episode at some time in the future we can come by and talk about the next set of issues.

Assaf Arie:

I can give 30 seconds about two examples that are dramatic. So one was a concrete shop that we took from being effectively bankrupt um you know negative capital you know in the millions of dollars um litigation helped them navigate through this and you know within seven years become the market leader in their in their segment and so that's one success story the other success story that i want to share is um company we've been working with for the last two and a half years and um you know tripled their size uh helped them grow build the team, systems very healthy profitability while going through that growth, maintaining profitability, paying down almost 100% of their debt that they acquired to grow and then the brand reputation. I mean, they're still a fairly small company in the local market here, but they have built themselves a pretty good reputation in those two years. And before that, they were just chucking the truck.

Mike Merrill:

Fantastic. Well, congratulations, gentlemen. We hope that our listeners will be able to benefit and gain value from your expertise. And we encourage them to reach out to you.

John Lenker:

Thanks for having us. We really appreciate you having us back. And again, people can learn more about us at [lenker.com slash mobile workforce](http://lenker.com/slash/mobile-workforce).

Assaf Arie:

It's been a pleasure.

Mike Merrill:

All right, you bet. Take care, thanks.